

HOUSE BILL No. 1316

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3.5-7.

Synopsis: Supplemental economic development income tax. Authorizes a county to increase the county economic development income tax to provide property tax relief for homeowners related to part or all of the inventory tax exemptions and deductions that reduce the total taxable assessed value in the county. Allows part of the tax devoted to homestead property tax relief to be raised from nonresidents who have a principal place of business in the county.

Effective: Upon passage; July 1, 2004.

Buck

January 15, 2004, read first time and referred to Committee on Ways and Means.

C
o
p
y



Second Regular Session 113th General Assembly (2004)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2003 Regular Session of the General Assembly.

HOUSE BILL No. 1316

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-3.5-7-1, AS AMENDED BY P.L.170-2002,
2 SECTION 28, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2004]: Sec. 1. (a) Except as otherwise provided in this section,
4 as used in this chapter, "adjusted gross income" has the meaning set
5 forth in IC 6-3-1-3.5(a).

6 (b) **For purposes of applying the base tax rate**, in the case of a
7 county taxpayer who is not a resident of a county that has imposed the
8 county economic development income tax, the term "adjusted gross
9 income" includes only adjusted gross income derived from the
10 taxpayer's principal place of business or employment.

11 (c) **For purposes of applying the supplemental tax rate, in the**
12 **case of a county taxpayer who:**

13 (1) **has a principal place of business or employment in a**
14 **county that has imposed the supplemental tax rate; and**

15 (2) **resides in another county or location;**
16 **the term "adjusted gross income" includes only adjusted gross**
17 **income derived from the taxpayer's principal place of business or**



C
o
p
y

employment.

(d) In the case of a county taxpayer who is a resident of a county having a population of more than eighteen thousand three hundred (18,300) but less than nineteen thousand three hundred (19,300), the term "adjusted gross income" does not include adjusted gross income that is:

(1) earned in a county that is:

(A) located in another state; and

(B) adjacent to the county in which the taxpayer resides; and

(2) subject to an income tax imposed by a county, city, town, or other local governmental entity in the other state.

SECTION 2. IC 6-3.5-7-1.3 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: **Sec. 1.3. As used in this chapter, "base tax rate" means the maximum tax rate that may be imposed under this chapter without the application of section 28 of this chapter.**

SECTION 3. IC 6-3.5-7-1.7 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: **Sec. 1.7. As used in this chapter, "civil taxing unit" has the meaning set forth in IC 6-3.5-6-1.**

SECTION 4. IC 6-3.5-7-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: **Sec. 3. As used in this chapter, "county taxpayer" as it relates to a county for a year means any individual who:**

(1) resides in that county on the date specified in section 17 of this chapter; or

(2) maintains a principal place of business or employment in that county on the date specified in section 17 of this chapter and who:

(A) for imposition of the base tax rate, does not on that same date reside in another county in which the county adjusted gross income tax, the county option income tax, or the county economic development income tax is in effect; and

(B) for imposition of the supplemental tax rate, resides in another county or location, regardless of whether the county adjusted gross income tax, the county option income tax, the county economic development income tax, or the equivalent to a tax listed in this clause is in effect in the other county or location.

SECTION 5. IC 6-3.5-7-4.9 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: **Sec. 4.9. As used in this chapter, "supplemental tax rate" means the part of an economic development tax rate that is**

C
o
p
y



1 **imposed under section 28 of this chapter.**

2 SECTION 6. IC 6-3.5-7-5, AS AMENDED BY P.L.224-2003,
3 SECTION 254, AND AS AMENDED BY P.L.42-2003, SECTION 5,
4 IS CORRECTED AND AMENDED TO READ AS FOLLOWS
5 [EFFECTIVE UPON PASSAGE]: Sec. 5. (a) Except as provided in
6 subsection (c), the county economic development income tax may be
7 imposed on the adjusted gross income of county taxpayers. The entity
8 that may impose the tax is:

- 9 (1) the county income tax council (as defined in IC 6-3.5-6-1) if
10 the county option income tax is in effect on January 1 of the year
11 the county economic development income tax is imposed;
12 (2) the county council if the county adjusted gross income tax is
13 in effect on January 1 of the year the county economic
14 development tax is imposed; or
15 (3) the county income tax council or the county council,
16 whichever acts first, for a county not covered by subdivision (1)
17 or (2).

18 To impose the county economic development income tax, a county
19 income tax council shall use the procedures set forth in IC 6-3.5-6
20 concerning the imposition of the county option income tax.

21 (b) Except as provided in subsections (c), (g), (k), ~~and~~ (p), ~~and~~ (r),
22 **and (t)**, the county economic development income tax may be imposed
23 at a rate of:

- 24 (1) one-tenth percent (0.1%);
25 (2) two-tenths percent (0.2%);
26 (3) twenty-five hundredths percent (0.25%);
27 (4) three-tenths percent (0.3%);
28 (5) thirty-five hundredths percent (0.35%);
29 (6) four-tenths percent (0.4%);
30 (7) forty-five hundredths percent (0.45%); or
31 (8) five-tenths percent (0.5%);

32 on the adjusted gross income of county taxpayers.

33 (c) Except as provided in subsection (h), (i), (j), (k), (l), (m), (n), (o),
34 ~~or~~ (p), **or (t)**, the county economic development income tax rate plus
35 the county adjusted gross income tax rate, if any, that are in effect on
36 January 1 of a year may not exceed one and twenty-five hundredths
37 percent (1.25%). Except as provided in subsection (g) or (p), the county
38 economic development tax rate plus the county option income tax rate,
39 if any, that are in effect on January 1 of a year may not exceed one
40 percent (1%).

41 (d) To impose, increase, decrease, or rescind the county economic
42 development income tax, the appropriate body must, after January 1 but

C
o
p
y



before April 1 of a year, adopt an ordinance. The ordinance to impose the tax must substantially state the following:

"The _____ County _____ imposes the county economic development income tax on the county taxpayers of _____ County. The county economic development income tax is imposed at a rate of _____ percent (____%) on the county taxpayers of the county. This tax takes effect July 1 of this year."

(e) Any ordinance adopted under this chapter takes effect July 1 of the year the ordinance is adopted.

(f) The auditor of a county shall record all votes taken on ordinances presented for a vote under the authority of this chapter and shall, not more than ten (10) days after the vote, send a certified copy of the results to the commissioner of the department by certified mail.

(g) This subsection applies to a county having a population of more than one hundred forty-eight thousand (148,000) but less than one hundred seventy thousand (170,000). Except as provided in ~~subsection~~ **subsections (p) and (t)**, in addition to the rates permitted by subsection (b), the:

(1) county economic development income tax may be imposed at a rate of:

(A) fifteen-hundredths percent (0.15%);

(B) two-tenths percent (0.2%); or

(C) twenty-five hundredths percent (0.25%); and

(2) county economic development income tax rate plus the county option income tax rate that are in effect on January 1 of a year may equal up to one and twenty-five hundredths percent (1.25%); if the county income tax council makes a determination to impose rates under this subsection and section 22 of this chapter.

(h) For a county having a population of more than forty-one thousand (41,000) but less than forty-three thousand (43,000), except as provided in ~~subsection~~ **subsections (p) and (t)**, the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and thirty-five hundredths percent (1.35%) if the county has imposed the county adjusted gross income tax at a rate of one and one-tenth percent (1.1%) under IC 6-3.5-1.1-2.5.

(i) For a county having a population of more than thirteen thousand five hundred (13,500) but less than fourteen thousand (14,000), except as provided in ~~subsection~~ **subsections (p) and (t)**, the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and fifty-five hundredths percent (1.55%).

C
o
p
y



(j) For a county having a population of more than seventy-one thousand (71,000) but less than seventy-one thousand four hundred (71,400), except as provided in ~~subsection~~ **subsections (p) and (t)**, the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%).

(k) This subsection applies to a county having a population of more than twenty-seven thousand four hundred (27,400) but less than twenty-seven thousand five hundred (27,500). Except as provided in ~~subsection~~ **subsections (p) and (t)**, in addition to the rates permitted under subsection (b):

(1) the county economic development income tax may be imposed at a rate of twenty-five hundredths percent (0.25%); and

(2) the sum of the county economic development income tax rate and the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%);

if the county council makes a determination to impose rates under this subsection and section 22.5 of this chapter.

(l) For a county having a population of more than twenty-nine thousand (29,000) but less than thirty thousand (30,000), except as provided in ~~subsection~~ **subsections (p) and (t)**, the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%).

(m) For:

(1) a county having a population of more than one hundred eighty-two thousand seven hundred ninety (182,790) but less than two hundred thousand (200,000); or

(2) a county having a population of more than forty-five thousand (45,000) but less than forty-five thousand nine hundred (45,900);

except as provided in subsection (p), the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%).

(n) For a county having a population of more than six thousand (6,000) but less than eight thousand (8,000), except as provided in ~~subsection~~ **subsections (p) and (t)**, the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%).

(o) This subsection applies to a county having a population of more

C
o
p
y



than thirty-nine thousand (39,000) but less than thirty-nine thousand six hundred (39,600). Except as provided in subsection (p), in addition to the rates permitted under subsection (b):

- (1) the county economic development income tax may be imposed at a rate of twenty-five hundredths percent (0.25%); and
- (2) the sum of the county economic development income tax rate and:

- (A) the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%); or

- (B) the county option income tax rate that are in effect on January 1 of a year may not exceed one and twenty-five hundredths percent (1.25%);

if the county council makes a determination to impose rates under this subsection and section 24 of this chapter.

(p) In addition:

- (1) the county economic development income tax may be imposed at a rate that exceeds by not more than twenty-five hundredths percent (0.25%) the maximum rate that would otherwise apply under this section; and

- (2) the:

- (A) county economic development income tax; and

- (B) county option income tax or county adjusted gross income tax;

may be imposed at combined rates that exceed by not more than twenty-five hundredths percent (0.25%) the maximum combined rates that would otherwise apply under this section.

However, the additional rate imposed under this subsection may not exceed the amount necessary to mitigate the increased ad valorem property taxes on homesteads (as defined in IC 6-1.1-20.9-1) resulting from the **exemption under IC 6-1.1-10-29 and the** deduction of the assessed value of inventory in the county under IC 6-1.1-12-41 or IC 6-1.1-12-42. **An adopting entity may impose less than the maximum tax rate allowed under this subsection.**

(q) If the county economic development income tax is imposed as authorized under subsection (p) at a rate that exceeds the maximum rate that would otherwise apply under this section, the certified distribution must be used for the purpose provided in section 25(e) or 26 of this chapter to the extent that the certified distribution results from the difference between:

- (1) the actual county economic development tax rate; and
- (2) the maximum rate that would otherwise apply under this

C
o
p
y



section.

(r) *This subsection applies only to a county described in section 27 of this chapter. Except as provided in ~~subsection~~ subsections (p) and (t), in addition to the rates permitted by subsection (b), the:*

(1) *county economic development income tax may be imposed at a rate of twenty-five hundredths percent (0.25%); and*

(2) *county economic development income tax rate plus the county option income tax rate that are in effect on January 1 of a year may equal up to one and twenty-five hundredths percent (1.25%); if the county council makes a determination to impose rates under this subsection and section 27 of this chapter.*

~~(r)~~ (s) *Except as provided in ~~subsection~~ subsections (p) and (t), the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%) if the county has imposed the county adjusted gross income tax under IC 6-3.5-1.1-3.3.*

(t) **If the county has imposed its maximum base tax rate, including one hundred percent (100%) of the tax that may be imposed under section 25 or 26 of this chapter:**

(1) **the county economic development income tax may be imposed at or increased to a supplemental tax rate that is not more than the rate necessary to mitigate any remaining increased ad valorem property taxes on homesteads (as defined in IC 6-1.1-20.9-1) resulting from the exemptions and deductions of the assessed value of inventory in the county under IC 6-1.1-10-29, IC 6-1.1-12-41, and IC 6-1.1-12-42; and**

(2) **the:**

(A) **county economic development income tax; and**

(B) **county option income tax or county adjusted gross income tax;**

may be imposed at combined rates that exceed the maximum combined rates that would otherwise apply under this section by the amount determined under subdivision (1).

However, an adopting entity may impose less than the maximum supplemental tax rate allowed under this subsection.

SECTION 7. IC 6-3.5-7-13.1, AS AMENDED BY P.L.224-2003, SECTION 256, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: Sec. 13.1.(a) The fiscal officer of each county, city, or town for a county in which the county economic development tax is imposed shall establish an economic development income tax fund. Except as provided in sections 23, 25, 26, ~~and~~ 27, ~~and~~ 28 of this chapter, the revenue received by a county, city, or town under

C
o
p
y



1 this chapter shall be deposited in the unit's economic development
2 income tax fund.

3 (b) Except as provided in sections 15, 23, 25, 26, ~~and 27~~, **and 28** of
4 this chapter, revenues from the county economic development income
5 tax may be used as follows:

6 (1) By a county, city, or town for economic development projects,
7 for paying, notwithstanding any other law, under a written
8 agreement all or a part of the interest owed by a private developer
9 or user on a loan extended by a financial institution or other
10 lender to the developer or user if the proceeds of the loan are or
11 are to be used to finance an economic development project, for
12 the retirement of bonds under section 14 of this chapter for
13 economic development projects, for leases under section 21 of
14 this chapter, or for leases or bonds entered into or issued prior to
15 the date the economic development income tax was imposed if
16 the purpose of the lease or bonds would have qualified as a
17 purpose under this chapter at the time the lease was entered into
18 or the bonds were issued.

19 (2) By a county, city, or town for:

20 (A) the construction or acquisition of, or remedial action with
21 respect to, a capital project for which the unit is empowered to
22 issue general obligation bonds or establish a fund under any
23 statute listed in IC 6-1.1-18.5-9.8;

24 (B) the retirement of bonds issued under any provision of
25 Indiana law for a capital project;

26 (C) the payment of lease rentals under any statute for a capital
27 project;

28 (D) contract payments to a nonprofit corporation whose
29 primary corporate purpose is to assist government in planning
30 and implementing economic development projects;

31 (E) operating expenses of a governmental entity that plans or
32 implements economic development projects;

33 (F) to the extent not otherwise allowed under this chapter,
34 funding substance removal or remedial action in a designated
35 unit; or

36 (G) funding of a revolving fund established under
37 IC 5-1-14-14.

38 **(3) For additional homestead credits to mitigate the increased**
39 **ad valorem property taxes on homesteads (as defined in**
40 **IC 6-1.1-20.9-1) resulting from the exemption under**
41 **IC 6-1.1-10-29 and the deduction of the assessed value of**
42 **inventory in the county under IC 6-1.1-12-41 or**

C
o
p
y



IC 6-1.1-12-42. The county auditor shall retain from the payments of the county's certified distribution an amount equal to the revenue lost, if any, due to the increase of the homestead credit within the county. The money shall be distributed to the civil taxing units and school corporations of the county:

(A) as if the money were from property tax collections; and

(B) in such a manner that no civil taxing unit or school corporation will suffer a net revenue loss because of the allowance of an increased homestead credit.

(c) As used in this section, an economic development project is any project that:

(1) the county, city, or town determines will:

(A) promote significant opportunities for the gainful employment of its citizens;

(B) attract a major new business enterprise to the unit; or

(C) retain or expand a significant business enterprise within the unit; and

(2) involves an expenditure for:

(A) the acquisition of land;

(B) interests in land;

(C) site improvements;

(D) infrastructure improvements;

(E) buildings;

(F) structures;

(G) rehabilitation, renovation, and enlargement of buildings and structures;

(H) machinery;

(I) equipment;

(J) furnishings;

(K) facilities;

(L) administrative expenses associated with such a project, including contract payments authorized under subsection (b)(2)(D);

(M) operating expenses authorized under subsection (b)(2)(E); or

(N) to the extent not otherwise allowed under this chapter, substance removal or remedial action in a designated unit;

or any combination of these.

SECTION 8. IC 6-3.5-7-25, AS AMENDED BY P.L.272-2003, SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: Sec. 25. (a) This section applies only to a county that

C
O
P
Y



has adopted an ordinance under IC 6-1.1-12-41(f).

(b) For purposes of this section, "imposing entity" means the entity that adopted the ordinance under IC 6-1.1-12-41(f).

(c) The imposing entity may adopt an ordinance to provide for the use of the certified distribution described in section 16(c) of this chapter for the purpose provided in subsection (e). A county income tax council that adopts an ordinance under this subsection shall use the procedures set forth in IC 6-3.5-6 concerning the adoption of an ordinance for the imposition of the county option income tax. Except as provided in subsection (j), an ordinance must be adopted under this subsection after January 1 but before April 1 of a calendar year. The ordinance may provide for an additional rate under section 5(p) of this chapter. An ordinance adopted under this subsection:

(1) first applies to the certified distribution described in section 16(c) of this chapter made in the calendar year that immediately succeeds the calendar year in which the ordinance is adopted;

(2) must specify the calendar years to which the ordinance applies; and

(3) must specify that the certified distribution must be used to provide for:

(A) uniformly applied increased homestead credits as provided in subsection (f); or

(B) allocated increased homestead credits as provided in subsection (h).

An ordinance adopted under this subsection may be combined with an ordinance adopted under section 26 of this chapter.

(d) If an ordinance is adopted under subsection (c), the percentage of the certified distribution specified in the ordinance for use for the purpose provided in subsection (e) shall be:

(1) retained by the county auditor under subsection (g); and

(2) used for the purpose provided in subsection (e) instead of the purposes specified in the capital improvement plans adopted under section 15 of this chapter.

(e) If an ordinance is adopted under subsection (c), the imposing entity shall use the certified distribution described in section 16(c) of this chapter to increase the homestead credit allowed in the county under IC 6-1.1-20.9 for a year to offset **part or all of the effect (as specified in the ordinance)** on homesteads in the county resulting from **the statewide inventory exemption under IC 6-1.1-10-29 and** the effect on homesteads in the county resulting from a county deduction for inventory under IC 6-1.1-12-41.

(f) If the imposing entity specifies the application of uniform

C
o
p
y



increased homestead credits under subsection (c)(3)(A), the county auditor shall, for each calendar year in which an increased homestead credit percentage is authorized under this section, determine:

- (1) the amount of the certified distribution that is available to provide an increased homestead credit percentage for the year;
- (2) the amount of uniformly applied homestead credits for the year in the county that equals the amount determined under subdivision (1); and
- (3) the increased percentage of homestead credit that equates to the amount of homestead credits determined under subdivision (2).

(g) The increased percentage of homestead credit determined by the county auditor under subsection (f) applies uniformly in the county in the calendar year for which the increased percentage is determined.

(h) If the imposing entity specifies the application of allocated increased homestead credits under subsection (c)(3)(B), the county auditor shall, for each calendar year in which an increased homestead credit is authorized under this section, determine:

- (1) the amount of the certified distribution that is available to provide an increased homestead credit for the year; and
- (2) an increased percentage of homestead credit for each taxing district in the county that allocates to the taxing district an amount of increased homestead credits that bears the same proportion to the amount determined under subdivision (1) that the amount of inventory assessed value deducted under IC 6-1.1-12-41 in the taxing district for the immediately preceding year's assessment date bears to the total inventory assessed value deducted under IC 6-1.1-12-41 in the county for the immediately preceding year's assessment date.

(i) The county auditor shall retain from the payments of the county's certified distribution an amount equal to the revenue lost, if any, due to the increase of the homestead credit within the county. The money shall be distributed to the civil taxing units and school corporations of the county:

- (1) as if the money were from property tax collections; and
- (2) in such a manner that no civil taxing unit or school corporation will suffer a net revenue loss because of the allowance of an increased homestead credit.

(j) An entity authorized to adopt:

- (1) an ordinance under subsection (c); and
- (2) an ordinance under IC 6-1.1-12-41(f);

may consolidate the two (2) ordinances. The limitation under

**C
O
P
Y**



subsection (c) that an ordinance must be adopted after January 1 of a calendar year does not apply if a consolidated ordinance is adopted under this subsection.

(k) If the tax revenue raised under this section in any year exceeds the amount necessary to mitigate increased ad valorem property taxes on homesteads (as defined in IC 6-1.1-20.9-1) resulting from the exemptions and deductions of the assessed value of inventory in the county under IC 6-1.1-10-29 and IC 6-1.1-12-41, the revenue raised under this section and any interest earned on that revenue must be held in trust and used only to provide the homestead property tax relief allowed under this section in future years or to reduce the rate of the tax imposed under this section.

SECTION 9. IC 6-3.5-7-26, AS AMENDED BY P.L.1-2003, SECTION 46, AND AS AMENDED BY P.L.272-2003, SECTION 6, IS CORRECTED AND AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: Sec. 26. (a) This section applies only to homestead credits for property taxes first due and payable after calendar year 2006.

(b) For purposes of this section, "adopting entity" means ~~(h)~~ the entity that:

(1) adopts an ordinance under IC 6-1.1-12-41(f); or

(2) any other entity that may impose a county economic development income tax under section 5 of this chapter.

(c) An adopting entity may adopt an ordinance to provide for the use of the certified distribution described in section 16(c) of this chapter for the purpose provided in subsection (e). An adopting entity that adopts an ordinance under this subsection shall use the procedures set forth in IC 6-3.5-6 concerning the adoption of an ordinance for the imposition of the county option income tax. An ordinance must be adopted under this subsection after January 1 but before April 1 of a calendar year. The ordinance may provide for an additional rate under section 5(p) of this chapter. An ordinance adopted under this subsection:

(1) first applies to the certified distribution described in section 16(c) of this chapter made in the later of the calendar year that immediately succeeds the calendar year in which the ordinance is adopted or calendar year 2007; and

(2) must specify that the certified distribution must be used *for the purpose provided in* ~~to provide for~~:

(A) *uniformly applied increased homestead credits as provided in subsection ~~(e)~~ (f); or*

(B) *allocated increased homestead credits as provided in subsection (h).*

C
o
p
y



1 An ordinance adopted under this subsection may be combined with an
2 ordinance adopted under section 25 of this chapter.

3 (d) If an ordinance is adopted under subsection (c), the percentage
4 of the certified distribution specified in the ordinance for use for the
5 purpose provided in subsection (e) shall be:

6 (1) retained by the county auditor under subsection (g); and

7 (2) used for the purpose provided in subsection (e) instead of the
8 purposes specified in the capital improvement plans adopted
9 under section 15 of this chapter.

10 (e) If an ordinance is adopted under subsection (c), the adopting
11 entity shall use the certified distribution described in section 16(c) of
12 this chapter to increase the ~~percentage of the~~ homestead credit allowed
13 in the county under IC 6-1.1-20.9 for a year to offset **part or all of the**
14 effect **(as specified in the ordinance)** on homesteads in the county
15 resulting from the statewide **inventory exemption under**
16 **IC 6-1.1-10-29 and the statewide** deduction for inventory under
17 IC 6-1.1-12-42.

18 (f) *If the imposing entity specifies the application of uniform*
19 *increased homestead credits under subsection (c)(2)(A), the county*
20 *auditor shall, for each calendar year in which an increased homestead*
21 *credit percentage is authorized under this section, determine:*

22 (1) the amount of the certified distribution that is available to
23 provide an increased homestead credit percentage for the year;

24 (2) the amount of uniformly applied homestead credits for the
25 year in the county that equals the amount determined under
26 subdivision (1); and

27 (3) the increased percentage of homestead credit that equates to
28 the amount of homestead credits determined under subdivision
29 (2).

30 ~~(f)~~ (g) The increased percentage of homestead credit determined by
31 the county auditor under subsection ~~(e)~~ (f) applies uniformly in the
32 county in the calendar year for which the increased percentage is
33 determined.

34 (h) *If the imposing entity specifies the application of allocated*
35 *increased homestead credits under subsection (c)(2)(B), the county*
36 *auditor shall, for each calendar year in which an increased homestead*
37 *credit is authorized under this section, determine:*

38 (1) *the amount of the certified distribution that is available to*
39 *provide an increased homestead credit for the year; and*

40 (2) *an increased percentage of homestead credit for each taxing*
41 *district in the county that allocates to the taxing district an*
42 *amount of increased homestead credits that bears the same*

C
o
p
y



1 *proportion to the amount determined under subdivision (1) that*
 2 *the amount of inventory assessed value deducted under*
 3 *IC 6-1.1-12-42 in the taxing district for the immediately*
 4 *preceding year's assessment date bears to the total inventory*
 5 *assessed value deducted under IC 6-1.1-12-42 in the county for*
 6 *the immediately preceding year's assessment date.*

7 ~~(g)~~ (i) The county auditor shall retain from the payments of the
 8 county's certified distribution an amount equal to the revenue lost, if
 9 any, due to the increase of the homestead credit within the county. The
 10 money shall be distributed to the civil taxing units and school
 11 corporations of the county:

12 (1) as if the money were from property tax collections; and

13 (2) in such a manner that no civil taxing unit or school
 14 corporation will suffer a net revenue loss because of the
 15 allowance of an increased homestead credit.

16 **(j) If the tax revenue raised under this section in any year**
 17 **exceeds the amount necessary to mitigate increased ad valorem**
 18 **property taxes on homesteads (as defined in IC 6-1.1-20.9-1)**
 19 **resulting from the exemptions and deductions of the assessed value**
 20 **of inventory in the county under IC 6-1.1-10-29 and IC 6-1.1-12-42,**
 21 **the revenue raised under this section and any interest earned on**
 22 **that revenue must be held in trust and used only to provide the**
 23 **homestead property tax relief allowed under this section in future**
 24 **years or to reduce the rate of the tax imposed under this section.**

25 SECTION 10. IC 6-3.5-7-28 IS ADDED TO THE INDIANA CODE
 26 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
 27 1, 2004]: **Sec. 28. (a) This section applies in a county if:**

28 **(1) the county has imposed the maximum allowable base tax**
 29 **rate, including one hundred percent (100%) of the allowable**
 30 **tax increment under section 25 or 26 of this chapter; and**

31 **(2) additional revenue is necessary to offset a remaining part**
 32 **of the effect on homesteads in the county resulting from**
 33 **inventory exemptions and deductions available under the**
 34 **following:**

35 **(A) The statewide exemption under IC 6-1.1-10-29.**

36 **(B) An ordinance adopted under IC 6-1.1-12-41.**

37 **(C) The statewide deduction under IC 6-1.1-12-42.**

38 **(b) For purposes of this section, "adopting entity" means:**

39 **(1) an entity that adopts an ordinance under IC 6-1.1-12-41(f);**
 40 **or**

41 **(2) any other entity that may impose a county economic**
 42 **development income tax under section 5 of this chapter.**

C
o
p
y



(c) An adopting entity may adopt an ordinance to provide for the use of the certified distribution described in section 16(c) of this chapter for the purpose provided in subsection (e). An adopting entity that adopts an ordinance under this subsection shall use the procedures set forth in IC 6-3.5-6 concerning the adoption of an ordinance for the imposition of the county option income tax. An ordinance must be adopted under this subsection after January 1 but before April 1 of a calendar year. The ordinance may provide for an additional rate under section 5(t) of this chapter. The ordinance may set an additional rate that is less than the maximum allowable additional rate under section 5(t) of this chapter. An ordinance adopted under this subsection:

- (1) first applies to the certified distribution described in section 16(c) of this chapter made in the calendar year that immediately succeeds the calendar year in which the ordinance is adopted; and
- (2) must specify that the certified distribution must be used only for the purpose provided in subsection (e).

An ordinance adopted under this subsection may be combined with an ordinance adopted under section 25 or 26 of this chapter.

(d) If an ordinance is adopted under subsection (c), the percentage of the certified distribution specified in the ordinance for use for the purpose provided in subsection (e) shall be:

- (1) retained by the county auditor under subsection (g); and
- (2) used for the purpose provided in subsection (e) instead of the purposes specified in the capital improvement plans adopted under section 15 of this chapter.

(e) If an ordinance is adopted under subsection (c), the adopting entity shall use the certified distribution described in section 16(c) of this chapter to increase the percentage of the homestead credit allowed in the county under IC 6-1.1-20.9 for a year to offset part or all (as specified in the ordinance) of the effect on the tax liability of homesteads in the county that results from the exemptions and credits described in subsection (a) and remains after applying to homestead credit tax relief one hundred percent (100%) of the maximum base tax rate that may be imposed under section 25 or 26 of this chapter. The county auditor, for each calendar year in which an increased homestead credit percentage is authorized under this section, shall determine:

- (1) the amount of the certified distribution that is available to provide an increased homestead credit percentage for the year;

**C
o
p
y**



(2) the amount of uniformly applied homestead credits for the year in the county that equals the amount determined under subdivision (1); and

(3) the increased percentage of homestead credit that equates to the amount of homestead credits determined under subdivision (2).

(f) The increased percentage of homestead credit determined by the county auditor under subsection (e) applies uniformly in the county in the calendar year for which the increased percentage is determined.

(g) The county auditor shall retain from the payments of the county's certified distribution an amount equal to the revenue lost, if any, due to the increase of the homestead credit within the county granted under this section. The money shall be distributed to the civil taxing units and school corporations of the county:

(1) as if the money were from property tax collections; and

(2) in such a manner that no civil taxing unit or school corporation will suffer a net revenue loss because of the allowance of an increased homestead credit.

If the tax revenue raised under this section in any year exceeds the amount necessary to mitigate increased ad valorem property taxes on homesteads (as defined in IC 6-1.1-20.9-1) resulting from the exemptions and deductions of the assessed value of inventory in the county under IC 6-1.1-10-29, IC 6-1.1-12-41, and IC 6-1.1-12-42, the revenue raised under this section and any interest earned on that revenue must be held in trust and used only to provide the homestead property tax relief allowed under this section in future years or to reduce the rate of the tax imposed under this section.

SECTION 11. An emergency is declared for this act.

**C
O
P
Y**

